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Honey Annual

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Report Highlights:

Honey production in 1998 is estimated to have been 155,000 MT, a large reduction from 1997 when production reached 207,000 MT. Production in 1999 is forecast to be 180,000 MT. Honey exports reported by China Customs recovered to 78,678 MT in 1998.

Includes PSD changes: Yes
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GENERAL SUMMARY

The official figure for honey output in 1998 has yet to be announced. Estimates provided by industry sources range from 140,000 metric tons (MT) to 170,000 MT. Post estimates that total 1998 honey output in China was 155,000 MT, a large reduction from 1997 when output reached 207,000 MT. Inclement weather and various bee diseases were the main factors contributing to the drastic fall. Weather conditions in 1999 have been better than last year's. Honey output in 1999 is forecast at 180,000 MT, much closer to output levels attained between 1994-1996, but still considerably lower than that in 1997.

China exported 78,678 MT of honey in 1998, 63 percent greater than exports in 1997, but still significantly lower than those during 1995-1996. There have been large inconsistencies between Chinese honey exports reported by China Customs and those reported by countries importing Chinese honey. China customs has reported a much lower volume of trade than importing countries have reported, indicating large gray channel trading. Much of the reported export growth in 1998 may be due to the anti-smuggling campaign launched by the Chinese Government in 1998, which exposed previously smuggled honey exports. Exports in the first half of 1999 were 34,004 MT, almost 20 percent higher than those during the same period in 1998. Post forecasts that China's total honey exports in 1999 will reach 80,000 MT.

According to the Honey Suspension Agreement between China and the U.S., the price for honey exported from China to the U.S. was determined by a reference price set six months prior to actual trading. When world prices fell last year, the reference price, having been set with the lag time of six months, made it extremely difficult for Chinese honey to be exported to the U.S. market. Following consultation and negotiation between China and the U.S., an agreement was reached to change the time when the reference price is set. Beginning on July 1, 1998, the reference price was set three months prior to trading. The set export price has since fallen and gradually converged with China's average export price to all countries. As a result, China's honey exports into the U.S. have recovered to 9,591 MT in the first half of 1999.

Table 1

Production, Supply and Demand

PSD Table						
Country:	China, Peoples Republic of					
Commodity:	Honey					
		1997		1998		1999
	Old	New	Old	New	Old	New
Market Year Begin		01/1997		01/1998		01/1999
Commercial Colonies	5,550	5,550	5,500	5,500	0	5,500
NonCommercial Colonies	1,000	1,000	800	800	0	800
TOTAL Colonies	6,550	6,550	6,300	6,300	0	6,300
Beginning Stocks	30,000	30,000	50,000	50,000	12,000	16,816
Production	188,000	207,000	140,000	155,000	0	180,000
Imports	220	220	100	494	0	1,400
TOTAL SUPPLY	218,220	237,220	190,100	205,494	12,000	198,216
Exports	48,217	48,216	55,000	78,678	0	80,000
Domestic Consumption	120,003	139,004	123,100	110,000	0	110,000
Ending Stocks	50,000	50,000	12,000	16,816	0	8,216
TOTAL DISTRIBUTION	218,220	237,220	190,100	205,494	0	198,216

PRODUCTION

General

The official figure for honey output in 1998 has yet to be announced. According to industry sources, output ranged from 140,000 MT to 170,000 MT. Post estimates that 1998 honey output was 155,000 MT, a large reduction from 1997 when output reached 207,000 MT. Inclement weather and various bee diseases were the main factors contributing to the drastic fall. Weather conditions in 1999 so far have been better than last year's. Honey output in 1999 is estimated at 180,000 MT, much closer to output levels attained between 1994-1996, but still considerably lower than that in 1997.

The table below shows China's official statistics on provincial honey production for the period of 1994-1998. Caution is needed when interpreting the data because honey production statistics by province can be unreliable. Beekeepers' reported honey production data is assigned to the province that they are registered in, rather than the province that they produce their honey in. These two measurements can be quite different since most beekeepers travel through many provinces to maximize the length of their production season and increase sales of bee products in different localities. For example, local experts in Zhejiang and Jiangxi provinces estimated that actual 1997 honey output in their two provinces were 2,000 MT and 1,000 MT, respectively.

Table 2

Honey Production by Province (1,000 Metric Tons)

	1994	1995	1996	1997	1998
Zhejiang	42	46	45	62	
Sichuan	18	21	22	19	
Shandong	9	7	15	9	
Jiangsu	12	9	10	7	
Hubei	8	11	11	11	
Guangdong	9	7	9	11	
Anhui	6	7	8	8	
Jiangxi	7	7	7	11	
Hebei	6	6	6	6	
Fujian	6	6	6	5	
Shaanxi	4	4	3	4	
Yunnan	4	4	5	6	
Liaoning	4	4	4	5	
Others	42	39	33	43	
TOTAL	177	178	184	207	155

Sources: Ministry of Agriculture and State Statistical Bureau; 1998 output is a Post estimate.

Chinese beekeepers are required to be registered in their hometowns as members of beekeepers associations or similar organizations. Each beekeeper's honey production is required to be recorded in his hometown. Typically, beekeepers report their production at an annual beekeeper's association meeting organized by officials from their county or township governments. In areas where there are no beekeepers associations or the association has ceased to function due to inadequate funding, honey production data is estimated by local government staff, whose duty it is to collect data for agricultural products. Two sources of error may occur during the course of data collection. First, beekeepers may have an incentive to hide their actual income level through under-reporting of production. Second, local cadres may manipulate data to show greater honey production. The result is that the accuracy of production data is subject to a considerable margin of error.

Some Chinese researchers believe that production data for several livestock products may be inflated. The results of the First General Agricultural Survey of China conducted in 1997 confirmed this over-reporting. Statistics on animal products production, including honey, currently are undergoing an unprecedented overhaul by experts and officials of the State Statistical Bureau.

Yields

There are about 200 thousand beekeepers in China. On average, each beekeepers owns 30-40 hives. Yields vary greatly among different beekeepers. A skilled beekeeper with an above-average hive can produce 50-60 kg

of honey and 1.5-2.2 kg of royal jelly. However, many hives yield less. In recent years the average yield per hive has been 25-30 kg of honey.

Some experts and beekeepers have reported considerable growth in bee product yields over the last decade, especially for royal jelly. The causes for growth include genetic improvement in breeding bees, development of more efficient equipment and newly built highway networks that reduce traveling time for beekeepers.

The average net income earned by a beekeeper in a normal year is estimated to be 5000-6000 RMB (approximately \$600-710). The annual per capita income for a beekeeper household is 20-25 percent higher than the average income for rural households. However, the majority of beekeepers must travel thousands of kilometers each year. Their nomadic life is difficult and risky. Reports in recent years state that beekeepers have been asked to pay undue fees and have been charged with criminal offenses

Production Policy

Chinese government policy encourages honey production because it is considered an effective way to raise rural incomes and bee farming benefits crop production. Beekeepers are allowed to sell their bee products, such as honey and royal jelly, at production sites without having to pay taxes and fees

The China Bee Products Association and the National Supply and Marketing Cooperatives jointly organized a conference in November, 1997 focusing on the positive impact of beekeeping activities on poverty alleviation in mountainous areas. The summary report of the conference was later officially endorsed by State Councilor Chen Junsheng, who was in charge of the poverty alleviation

Many beekeepers are anxious to have access to technical information and materials regarding bee breeding, bee disease treatment and new practices of beekeeping. However, only limited chances exist for them to acquire the information, due to their poor education and inadequate services provided by the government. There have been some press reports requesting that the Ministry of Agriculture provide more training for beekeepers.

TRADE

Exports

China exported 78,678 MT of honey in 1998, 63 percent greater than exports in 1997, but still significantly lower than those during 1995-1996. There have been large inconsistencies between Chinese honey exports reported by China Customs and those reported by countries importing Chinese honey. China customs has reported a much lower volume of trade than importing countries have reported, indicating large gray channel trading. Much of the reported export growth in 1998 may be due to the massive anti-smuggling campaign launched by the Chinese Government in 1998, which exposed previously smuggled honey exports. Exports in the first half of 1999 were 34,004 MT, almost 20 percent higher than those during the same period in 1998. Post forecasts that China's total honey exports in 1999 will reach 80,000 MT.

China's honey exports to the U.S. recovered to 13,994 MT in 1998, an increase of 79 percent over 1997 exports. However, exports still failed to reach levels attained in 1996. Honey exports to the U.S. in the first half of 1999 were 9,581 MT, more than double exports for the same period in 1998. Exports to the U.S. in recent years have been influenced by implementation of the Honey Suspension Agreement between China and

the U.S. in 1995. According to the agreement, the price of Chinese honey exported to the U.S. was determined by a reference price set six months prior to actual trading. When the world prices declined, the pre-set reference price prevented Chinese export prices from adjusting down to prices offered by competing exporters, leaving Chinese honey uncompetitive. In recent years the price of honey exported to the U.S. has been 15 percent higher than the average price of China's total honey exports to all destinations. Following consultation and negotiation between China and the U.S., a new agreement was reached to modify the method for setting the reference price. Beginning on July 1, 1998, the reference price was set three months prior to trading. The set export price has since fallen and quickly converged with China's average world export price. During the first half of 1999, the price of honey exported to the U.S. fell to a level only 5 percent above China's average world export price.

Table 3

China Honey Exports to Major Destinations

1996-1998 Calendar Years, Jan/June for 1999

Metric Tons

Tariff Code: 4090000

	1996	1997	1998	1999		
				Jan-Mar	Apr-Jun	Jan-Jun
Japan	28,601	16,533	23,015	7,828	6,024	13,852
United States	18,497	7,805	13,994	2820	6,771	9,591
Germany	17,285	12,203	19,957	931	1,356	2,287
United Kingdom	8,041	5,056	10,080	2,188	1,694	3,882
Belgium	2,038	2,300	1,860	238	198	436
Spain	1,160	521	1,620	340	860	1,200
Hong Kong	1,136	1,009	642	161	188	349
Netherlands	665	318	1,376	203	79	282
France	1,108	1,438	345	0	0	0
Singapore	762	405	336	42	110	152
Malaysia	308	244	332	0	100	100
Italy	205	206	238	59	20	79
Canada	3,056	65	1,486	316	1,253	1,569
Others	600	113	3,397	102	123	225
TOTAL	83,462	48,216	78,678	15,228	18,776	34,004

Source: China Customs Statistics

Japan traditionally has been a major export market for China's bee products. However, China's honey exports to Japan fell significantly in 1997 due to the Asia financial crisis and depreciation of the Japanese yen. Honey exports to Japan in 1997, as reported by China Customs, were 16,533 MT, compared with 28,601 MT in 1996. In 1998 exports recovered to 23,015 MT. However, Japanese custom statistics paint a different picture of

trade. As indicated in Table 4, China's honey exports to Japan declined to 30,787 MT in 1997 from 38,410 MT in 1996, and fell further to 27,279 MT in 1998. There are two differences reflected by the data in Table 4. The Chinese data indicate a drastic drop in exports in 1997 and a recovery in 1998, whereas the Japanese data show a steady decline over the entire period. Second, the Japanese statistics show substantially larger trade volumes than those recorded by China customs; 34 percent, 86 percent and 18 percent larger during 1996, 1997 and 1998, respectively. Industry sources suggest smuggling was the main reason for the data discrepancy. However, China's anti-smuggling campaign launched in late 1998 has caused previously smuggled exports to be traded legitimately, and therefore appear in China's statistics. As a result, the volume gap between China Customs' and Japan Customs' honey export statistics narrowed in 1998.

Table 4

China's Honey Exports to Japan: Gap between Chinese and Japanese Data Sources
1996-1998, Metric Tons

Year	Chinese Customs Data (C)	Japanese Trade Data (J)	Data Gap (%) (J)/(C) x 100
1996	28,601	38,410	134.3
1997	16,533	30,787	186.2
1998	23,015	27,279	118.5

Germany was the second largest market for China's honey exports in 1997 and 1998. However, China's honey exports to Germany fell drastically in the first half of 1999 to 2,287 MT from 8,942 MT during the same period in 1998. Germany imported 6.7 percent of China's total honey exports during the first half of 1999, compared with 31.5 percent during the same period in 1998. Germany consumes honey domestically and also processes and re-packs it for export to other European Community and Middle East countries.

Imports

China's imports increased from 220 MT in 1997 to 494 MT in 1998. Of these 1998 imports, 277 MT originated in China. Such imports are likely re-packaged in Hong Kong and then sold domestically to higher income consumers. During the first half of 1999 imports increased to 687 MT, of which 401 MT were from Hong Kong. These imports also likely originated in China and then were re-packaged in Hong Kong.

Table 5

China Honey Imports by Origin

1995-1998 Calendar Years and January-June 1999, Metric Tons

Tariff Code: 4090000

	1995	1996	1997	1998	Jan-Jun 1999
Japan	8	0	5	18	82
United States	9	12	24	11	0
Thailand	53	0	0	0	24
Taiwan	22	0	0	5	27
Australia	9	0	9	9	10
Spain	41	0	0	0	0
Hong Kong	18	20	0	0	401
South Korea	0	0	62	172	0
China, P.R.	0	0	119	277	122
Others	0	11	1	2	21
TOTAL	160	43	220	494	687

Source: China Custom Statistics

Price

China's honey export price is in a downward trend. The average monthly FOB price for honey sank to \$1,186 per metric ton in December, 1997 from \$1,563 per metric ton in June, 1997. The average FOB price for honey exported in 1998 fell to \$1,056 per metric ton, and sank even further to \$904 per metric ton in the first six months of 1999. This price movement indicates sluggish demand in the international market and strong competition faced by China's honey export sector.

Trade Policy

Apart from honey exported to the U.S., China's honey exports are regulated by a voluntary quota regime. Until recently, export quotas had been sold to trading companies through an annual auction. Fees have varied from 1,000 RMB per metric ton to less than 200 RMB per metric ton, depending upon the expected profitability of exporting honey. However a new quota allocation system named "Regulation on Paying for Use of Quotas" became effective on April 15, 1999. The formerly auctioned quotas have been replaced by a fixed quota fee announced in advance. Under the new system, trading companies which have been granted permission to engage in honey exporting may apply for a quota at a fixed fee of 180 RMB (\$22) per metric ton.

Honey exports to the U.S. are regulated by the Honey Suspension Agreement between China and the U.S. According to the original agreement, the price for China's honey exports to the U.S. was determined by a reference price set six months prior to actual trading. Because of falling world honey prices, this set price did not accurately reflect the market price when trading began. The Chinese government complained that China had lost millions of dollars in potential trade and requested that the system be changed. After consultation and negotiation, an agreement was reached to set the reference price only three months in advance, effective July 1, 1998. The Honey Suspension Agreement will expire next year. Many Chinese honey traders interviewed

expressed hope that future regulation will be less restrictive, with prices determined by domestic and international demand.

China's honey import tariff rate was reduced from 55 to 25 percent in October, 1997. Experts and traders comment that although the tariff reduction may have a significant impact on China's honey imports, it is unlikely to change China's position as a major net exporter of honey.

STOCKS

There are no official data on honey stocks available. Industry sources commented that 1997 ending stocks were high and 1998 ending stocks were relatively low. Post estimates that 1998 ending stocks were approximately 16,816 MT. Given predicted growth of honey exports in 1999, 1999 ending stocks should decline further.

DOMESTIC CONSUMPTION

Honey and bee products are considered health food in China. Their usefulness in disease prevention and prolonging life is appreciated by Chinese consumers. As income levels increase, the demand for honey products will grow. The total value of the health food sector is forecast to be \$5 billion in 2000 and increase to \$9.6 billion by 2010. This growth is due in part to an increase in bee products specialist shops opened in urban areas in recent years. According to an industry source, there are over 100 such shops in Wuhan, and more than 30 in Nanchang, Jiangxi province.

New products using honey and other bee products as ingredients are entering the market. For example, a new food product using honey, fruit syrup, and local ingredients was developed in Zhejiang province in 1997. The new product is reported to be cool and refreshing, and beneficial to health and countenance. Propolis is another highly acclaimed new bee product. Press articles have been published promoting propolis as a rare, natural health food that has the effect of an antibiotic, relieves stress, internal heat and fever, and prolongs life and boosts the immune system. This product was awarded the gold prize in the 33rd international beekeeping conference.

Although the mid- term (3-5 years) outlook for the domestic honey market is encouraging, the current market is weak because of a slowing economy. Sluggish demand has caused retail honey prices to decline since August, 1997. However, due to last year's poor domestic production and decreased honey stocks, the price deflation appears to be ending. Press reports state that honey price movements have been mixed this year, with some varieties experiencing marginal price growth. Some experts believe that honey prices can not move any lower.

Marketing

It is generally agreed that improving the quality of honey products is crucial to further expansion in both domestic and external markets. Much effort has been expended trying to solve honey quality problems. For example, a "Five-No" campaign was launched last year committing 78 companies not to produce, purchase, process, sell and export honey of quality below the accepted standard.

The China Bee Products Association recently organized 3 different training courses for beekeepers and honey industry managers. The first was a preliminary training course for those with middle school educations and above. The course, which enrolled 160 students, began in July, 1998 and lasted for six months. More than 160 students in the course. The second course was offered to advanced students, with the opportunity of earning a certificate of high education. The third course was offered to managers in the honey sector.